

## ARROWHEAD REGIONAL MEDICAL CENTER

### Colene Haller

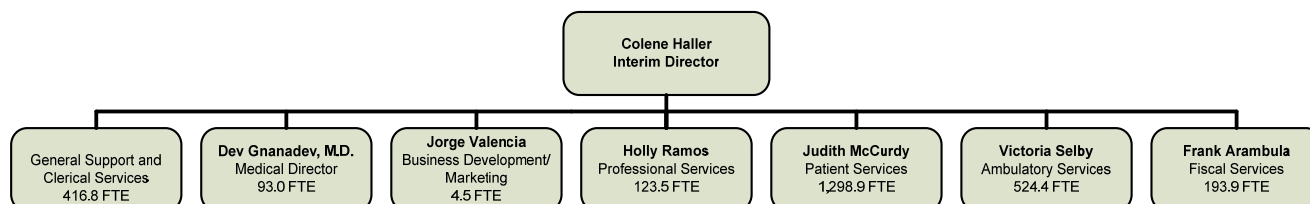
#### MISSION STATEMENT

The San Bernardino County "Arrowhead Regional Medical Center" (ARMC) is a safety net hospital with the primary mission of providing quality healthcare, a basic necessity of humankind, to the residents of San Bernardino County. We continuously strive to improve the health of the communities we serve and become the provider of choice for healthcare delivery and education.

#### STRATEGIC GOALS

1. Ensure the health and safety of County residents by increasing access to healthcare services through Outpatient and Emergency Room Visits.
2. Improve access to higher-level healthcare services for County residents through increased admissions in Acute Care.
3. Secure hospital financial health through efficient reimbursement policies and optimizing available revenue streams.
4. Reduce cost inefficiencies through containment opportunities and strategies to ensure effective hospital operations.
5. Enhance services and operations through continued improvement of Information Technology Infrastructure.
6. Continue improving customer satisfaction.

#### ORGANIZATIONAL CHART



#### SUMMARY OF BUDGET UNITS

	2007-08				
	Operating Exp/ Appropriation	Revenue	Fund Balance	Revenue Over/ (Under) Exp	Staffing
<b><u>Enterprise Funds</u></b>					
Arrowhead Regional Medical Center	364,137,592	361,614,538		(2,523,054)	2,656.0
Total Enterprise Funds	364,137,592	361,614,538	-	(2,523,054)	2,656.0
<b><u>Special Revenue Funds</u></b>					
Archstone Foundation Grant	42,012	10,802	31,210		-
Total Special Revenue Funds	42,012	10,802	31,210		-
<b><u>Other Agencies</u></b>					
Tobacco Tax	2,052,057	1,717,828	334,229		-
Total Other Agencies	2,052,057	1,717,828	334,229		-
<b>Total - All Funds</b>	<b>366,231,661</b>	<b>363,343,168</b>	<b>365,439</b>	<b>(2,523,054)</b>	<b>2,656.0</b>

Detailed information for each budget unit follows, along with a description of the services provided, budget unit history and applicable performance measures.



## Arrowhead Regional Medical Center

### DESCRIPTION OF MAJOR SERVICES

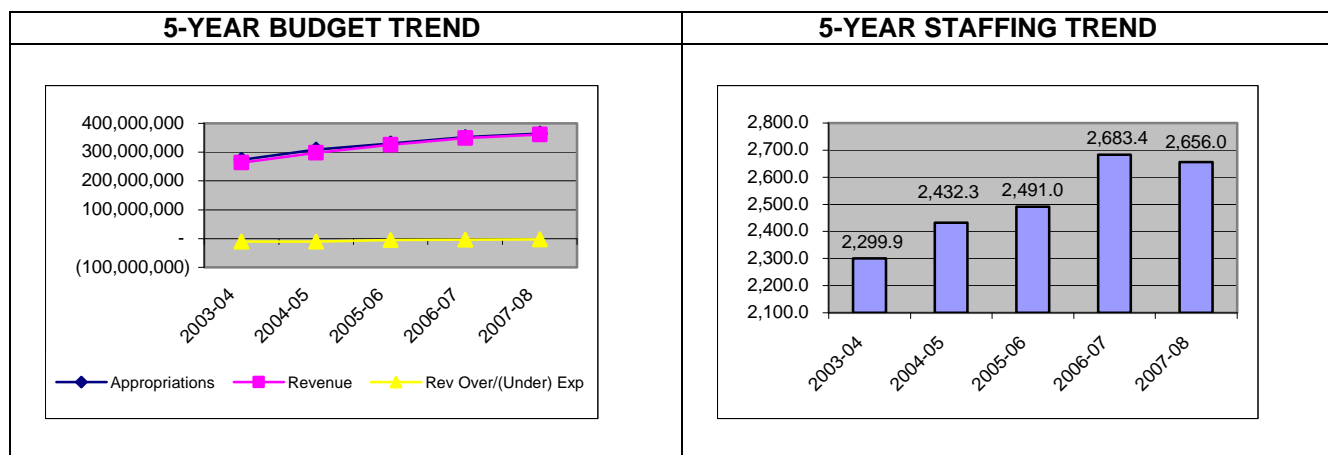
Arrowhead Regional Medical Center (ARMC) is a state of the art, acute care facility embracing advanced technology in all patient and support areas. ARMC offers the latest in patient care by providing a full range of inpatient and outpatient services, three off campus community health centers, Department of Behavioral Health's inpatient activities and numerous specialty services. Freeway access, shuttle service and close proximity to an Omnitrans bus hub make ARMC convenient to county residents.

The Hospital and Behavioral health facilities are comprised of 373 (90 Behavioral Health and 283 Hospital) inpatient rooms, most of which are private. The Emergency Department is a Level II Trauma Center and consists of 15 observation rooms, 8 treatment rooms, 3 law enforcement holding rooms, 8 trauma rooms and a 9 bay Rapid Medical Emergent Treatment area to expedite treatment and improve throughput. The helicopter landing area can accommodate both standard medi-vac helicopters and military helicopters. The outpatient care center consists of 109 examination rooms and 8 procedure rooms.

**Inpatient Care:** Inpatient services provide curative, preventative, restorative and supportive care for general and specialty units within the General Acute Care Hospital, Behavioral Health Hospital and Home Health. Care is coordinated among multiple care providers responsible for patient care twenty-four hours a day. Nursing functions as a primary interface with patients, families and others and is often the interpreter for the hospital experience and treatment plan. Education is a primary focus and ARMC offers numerous Residency Programs for the training of physicians in Family Practice, Emergency Medicine, Surgery, Neurosurgery, Women's Health, and Internal Medicine.

**Outpatient Services:** Outpatient Care is an integral part of our multifaceted healthcare delivery system offering a wide range of emergency, primary, preventive, chronic, follow-up and specialty care in an ambulatory care setting. Visits have exceeded 250,000 annually without the Emergency Room volume.

### BUDGET HISTORY



### PERFORMANCE HISTORY

	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Modified Budget	2006-07 Estimate
Appropriation	285,852,123	307,053,858	338,756,350	355,638,294	361,627,168
Departmental Revenue	280,930,687	303,214,159	325,302,143	352,029,875	358,305,122
Revenue Over/(Under) Exp	(4,921,436)	(3,839,699)	(13,454,207)	(3,608,419)	(3,322,046)
Budgeted Staffing				2,683.4	
Fixed Assets	1,640,973	1,314,030	1,539,482	2,608,113	2,401,921

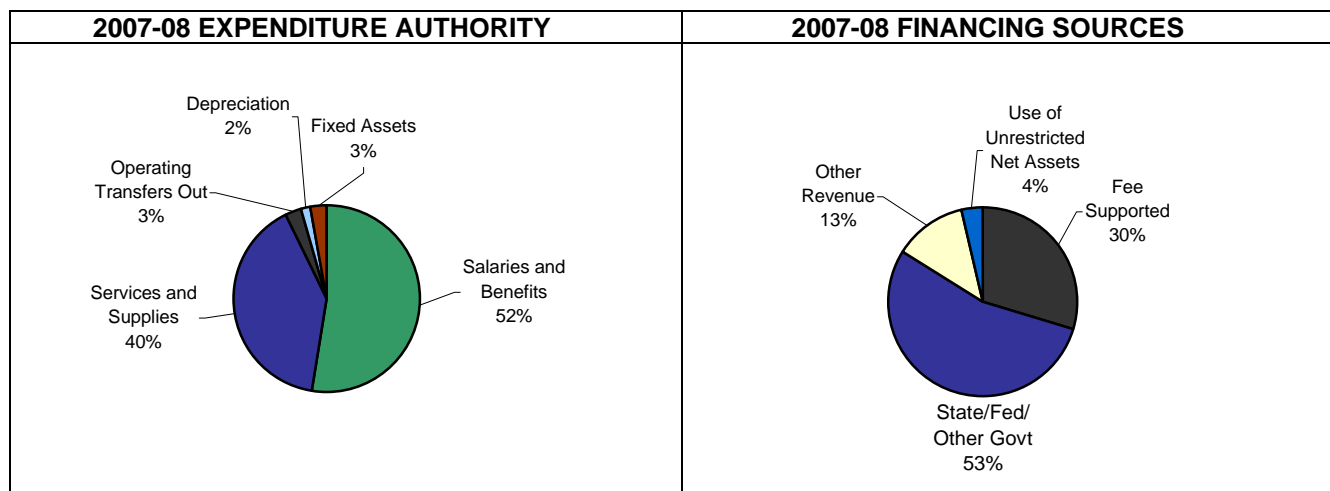


Appropriation for 2006-07 is projected to be \$361,627,168 versus a modified budget of \$355,638,294. This is an unfavorable variance of \$5,988,874 and is primarily related to Physician fees and supply expense. There was an aggressive plan to reduce supply expense over the course of the year that did not materialize. The plan included the review of distribution processes of supplies to various hospital departments, cost analysis of existing supplies contracts, and an assessment of materials management infrastructure and staff. These components are now being implemented and incorporated into the 2007-08 budget.

Departmental revenue for 2006-07 is projected to be \$358,305,122 and includes \$164,565,826 of state funding, \$32,329,232 of federal funding, \$104,647,668 of current services, \$4,366,297 of other revenue, \$7,464,000 of one-time 2005-06 SB 1100 Safety Net Care Pool revenue adjustment, and \$44,932,099 of realignment. The increase of \$6,275,247 over modified budget is primarily due to the unanticipated receipt of the SB 1100 funding adjustment. Realignment is currently funding departmental revenue at a level \$4,429,906 over budget. ARMC administration is currently analyzing this funding deficit and will attempt to mitigate this problem by fiscal year-end.



## ANALYSIS OF PROPOSED BUDGET



GROUP: Administrative/Executive  
 DEPARTMENT: Arrowhead Regional Medical Center  
 FUND: Medical Center

BUDGET UNIT: EAD MCR  
 FUNCTION: Health and Sanitation  
 ACTIVITY: Hospital Care

	2003-04 Actual	2004-05 Actual	2005-06 Actual	2006-07 Estimate	2006-07 Final Budget	2007-08 Proposed Budget	Change From 2006-07 Final Budget
<b>Appropriation</b>							
Salaries and Benefits	139,529,219	154,101,291	175,477,648	190,618,498	190,163,232	196,713,824	6,550,592
Services and Supplies	122,188,037	130,590,559	146,463,897	152,881,932	144,025,461	149,992,752	5,967,291
Central Computer	587,180	773,607	910,103	1,225,286	1,075,193	1,283,275	208,082
Other Charges	955,137	1,092,532	1,026,124	867,665	1,120,937	849,907	(271,030)
Transfers	900,656	905,863	974,489	1,194,750	1,149,440	1,573,867	424,427
Total Appropriation	264,160,229	287,463,852	324,852,261	346,788,131	337,534,263	350,413,625	12,879,362
Depreciation	11,012,812	6,049,319	5,904,089	5,723,967	6,216,532	5,723,967	(492,565)
Operating Transfers Out	10,679,082	13,540,687	8,000,000	9,115,070	8,812,500	8,000,000	(812,500)
Total Requirements	285,852,123	307,053,858	338,756,350	361,627,168	352,563,295	364,137,592	11,574,297
<b>Departmental Revenue</b>							
Use Of Money and Prop	-	683	126	-	-	-	-
State, Fed or Gov't Aid	179,182,389	192,662,185	181,560,624	204,359,058	206,320,263	202,967,028	(3,353,235)
Current Services	84,686,128	84,747,673	93,242,062	104,647,668	98,916,441	111,540,583	12,624,142
Other Revenue	578,570	6,174,868	10,814,880	4,366,297	4,473,197	4,530,828	57,631
Total Revenue	264,447,087	283,585,409	285,617,692	313,373,023	309,709,901	319,038,439	9,328,538
Operating Transfers In	16,483,600	19,628,750	39,684,451	44,932,099	39,187,500	42,581,099	3,393,599
Total Financing Sources	280,930,687	303,214,159	325,302,143	358,305,122	348,897,401	361,619,538	12,722,137
Rev Over/(Under) Exp	(4,921,436)	(3,839,699)	(13,454,207)	(3,322,046)	(3,665,894)	(2,518,054)	1,147,840
Budgeted Staffing					2,683.4	2,656.0	(27.4)
<b>Fixed Assets</b>							
Equipment	1,201,198	961,224	1,039,732	1,057,475	1,000,000	9,227,997	8,227,997
L/P Equipment	439,775	352,806	499,750	1,344,446	1,550,638	1,664,795	114,157
Total Fixed Assets	1,640,973	1,314,030	1,539,482	2,401,921	2,550,638	10,892,792	8,342,154

Salaries and benefits of \$196,713,824 fund 2,656.0 positions and are increasing by \$6,550,592 primarily resulting from a \$3,021,066 increase for annual step increases, \$1,774,247 increase in retirement benefits and other costs associated with MOU rate adjustments. Staffing decreased by 27.4 primarily due to a decrease of 16.0 Radiology Program Trainees/Interns (interns in this program are no longer compensated), a transfer of 2.0 Human Resource Officers to the County Human Resources Department, a decrease of 6.4 nursing positions to cover additional costs associated with the mid-year conversion of Per-diem Registered Nursing positions to regular positions, and the remaining net decrease of 3.0 due to various staffing adjustments based on departmental needs.



Services and supplies of \$149,992,752 includes \$49,899,272 for contracted services such as physicians and other professional services, \$56,089,818 for medical and pharmacy supplies, \$7,178,076 for malpractice insurance, with the balance of \$36,825,586 for other operational expenses such as utilities, insurance, equipment, maintenance and leases. The net increase of \$5,967,291 is primarily due to a \$2,408,095 increase in physicians' contracts and a \$3,108,655 increase for medical and pharmacy supplies.

Other charges of \$849,907 represents payments to non-contracted Medically Indigent providers and the decrease of \$271,030 is primarily due to the increased utilization of our contracted providers.

Transfers of \$1,573,867 includes \$948,695 for the salaries and benefits costs associated with a Human Resources Officer (HRO) I and II and the hospital's shared portion of the costs for a Healthcare Division IS Chief, and the remaining \$625,172 is primarily for office lease space. The increase of \$424,427 is due to the transfer of the two HRO's from the hospital's budget to Human Resources. The hospital now transfers funds to cover these positions.

Depreciation of \$5,723,967 represents forecasted depreciation for existing equipment of \$5,073,967 plus an additional \$650,000 for budgeted equipment purchases. Equipment is depreciated over the Medicare recommended useful life utilizing the straight-line method. To date, ARMC has not set aside or budgeted funds for equipment replacement at the same rate of depreciation. As a result, equipment replacement costs will be have a negative impact on operations now and in years to come as equipment reaches the end of its useful life.

Operating transfers out of \$8,000,000 is for the Medical Center Debt Service and represents ARMC's contribution from operations. The decrease of \$812,500 is due to a decrease in transfers to Architecture and Engineering for capital improvement projects completed in 2006-07. A detailed description of the Medical Center Debt Service is available in the County Administrative Office's Medical Center Lease Payments budget unit on page 33.

Revenue in the amount \$319,038,439 includes \$202,967,028 in state and federal aid primarily from Medi-Cal, Medicare, \$111,540,583 in current services from private pay patients and insurance, and \$4,530,828 in other revenue from cafeteria sales, interest, miscellaneous grants, and services provided to other county departments and hospitals. State Aid includes \$148,926,754 in Medi-Cal Inpatient revenue, an increase of \$2,844,487, and \$17,831,634 in Medi-Cal Outpatient, a decrease of \$1,713,325. The decrease in outpatient revenue is due to the correction of methodology in forecasting patient volume as used in 2006-07, volume for 2007-08 is not decreasing. Federal Aid includes \$26,004,560 of Medicare Inpatient revenue, a \$3,551,727 decrease, \$7,419,359 of Medicare Outpatient revenue, a \$1,043,028 decrease, and \$711,997 of grant revenue for the purchase of a linear accelerator. The decreases of both inpatient and outpatient Medicare revenue is due to the correction of methodology in forecasting patient volume and revenue in 2006-07, volume for 2007-08 is not decreasing. Current services revenue includes \$61,842,787 of commercial insurance inpatient revenue, an increase of \$7,193,270, and \$16,133,117 of commercial insurance outpatient revenue, an increase of \$5,070,742. The increase in commercial insurance revenue is primarily due to an anticipated 7% insurance rate increase. The net increase of \$9,328,538 is primarily due to the adjustments detailed above.

Operating transfers in of \$42,576,099 reflect the Realignment contribution to the operations of the hospital and includes \$34,820,000 for operations, \$2,550,000 for the Medically Indigent program, \$2,292,000 in one-time funding for the purchase of a linear accelerator, \$1,724,000 in one-time funding for the purchase of an open MRI, and \$1,190,099 in one-time funding for the automated pharmacy program. The allocation of realignment for operations of \$34,820,000 was decreased by \$1.0 million from 2006-07 due to the additional funding being one-time funds and not on-going.

Currently, ARMC has an operating deficit of \$7,691,879. ARMC Administration will continue to analyze current operations to identify additional areas of cost savings and available funding to mitigate this shortfall. This shortfall can be primarily attributed to the lack of cost containment over the last few years, failure to budget and plan for necessary equipment replacement, and an increase in contracted physician expenses. Upon the identification of the key areas of concern, ARMC will devise a plan for immediate action including an evaluation of staffing allocations, clinical programs, revenue maximization, cost initiatives including services and supplies, and the review of administrative and operational flows. In the event ARMC Administration is not able to mitigate this operating deficit, realignment revenue is available, however these funds are programmed for the ARMC Campus Reconfiguration and the project's funding could be jeopardized.

Fixed assets of \$10,892,792 include \$9,227,997 for equipment and \$1,664,795 for lease purchase equipment. Equipment includes \$3,003,997 for the purchase of a linear accelerator, \$1,724,000 for the purchase of an open MRI and \$4,500,000 to replace aging equipment that has been in place since the opening of the facility in March 1999.

PERFORMANCE MEASURES			
Description of Performance Measure	2006-07 Projected	2006-07 Estimated	2007-08 Projected
Percentage decrease in ER patients leaving without being seen (10,950 patients in 2005-06).	16%	16%	25%
Reinitiate tattoo removal clinic.	NEW	250	500
Percentage increase in outpatient rehab volume (18,860 visits in 2005-06).	NEW	0%	5%
Percentage increase in number of deliveries (3780 in 2005-06).	1%	6%	3%
Separate billing for Direct Observation Unit (admits to unit, not in %).	NEW	728%	1500%
Percentage decrease in third party nurse staffing assistance (3.4 million spent in 2005-06).	-25%	-48%	-14%
Improvement in Patient Satisfaction scores from patient questionnaires (based on overall patient satisfaction where > 81.61% is desired).	83%	80%	83%

